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INDIAN MINERAL EXPLORATION POLICY
&
REALITY DIVERGENCE

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OUTLOOK FOR METALS SECTOR PROMISING: CENTRUM RESEARCH

A strong air of optimism rules the outlook for metals sector as a whole led by solid demand environment, favourable pricing scenario, strong cash flow generation and focus on deleveraging to improve the balance sheet, according to Centrum Research. The brokerage hosted an exclusive investor conference titled 'The Metal Medley' on the metals sector in Mumbai recently, which brought together some 16 companies covering all sub-sectors like ferrous, non-ferrous, pipes, refractories, graphite electrodes and other ancillaries.

Listing out the highlights of the meet, Centrum said in a report that large cap ferrous names sounded optimistic on demand and signaled strong focus on capacity creation. While investors were concerned that deleveraging would be taking a backseat with renewed focus of the companies in undertaking capex for both organic and inorganic expansions, companies sounded confident of balancing the cash flows and also expected the current cycle to sustain in medium term. Pipe companies were confident about sustenance of strong order inflow and robust earnings which is expected to result in strong cash flows. This will be utilised for either deleveraging or expansion of product basket, the report added. Ferrous consumables like electrodes and refractories indicated robust volumes and strong earnings growth driven by strong underlying demand and solid entry barriers in their businesses, while strong midcap ferrous companies were in the midst of finalising their expansion plans as they boast of strong balance sheets and are running at optimum utilisations, it added Sharing its recommendation, the Centrum report said: "In largecaps, we remain positive on Tata Steel and Hindalco in ferrous and nonferrous pack respectively. We like Coal India in the large cap mining space. Among midcaps, we like Vesuvius India and IFGL and are positive on select ferrous midcap stocks like Tata Metaliks and Kirloskar Ferrous due to their strong business model and growth prospects."

USHA MARTIN BUY TO DIVERSIFY TATA STEEL'S PRODUCT RANGE:REPORT

Tata Steel's acquisition of Usha Martin's speciality steel business will improve the share of long steel products in its business at no additional leverage, says a report.

Tata Steel, which has a capacity of 27.5 million tonne, has a disproportionate skew towards flat steel products now while Usha Martin has an integrated steel-making business with predominantly long steel products which get better margins.

In one of the largest debt resolution plans outside the NCLT process, the Usha Martin board had signed an agreement with Tata Steel on September 22 to sell the Kolkata based company's steel and wire rope business for a cash consideration of up to Rs 4,300-4,700 crore in a slump sale.

Usha Martin, which had a debt of over Rs 3,700 crore and a revenue of Rs 3,441 crore in the last fiscal year, had informed the exchanges that the sale would bring down the debt significantly. SBI is the lead banker for the group's debt.

"At the proposed transaction value of Rs 4,300-4,700 crore, we do not expect the acquisition to have a material negative impact on Tata Steel's financial profile or leverage. We expect the company to pay in cash for the acquisition, which is through a slump sale. The acquisition will also improve its product portfolio," S&P said in a note Tuesday. Given the robust prices and strong volume outlook for the domestic steel market, S&P expects "Tata Steel to continue with its strategy of bidding for bankrupt steel assets as it strives to maintain leadership in a high growth market."

Last Saturday, Tata Steel had said it had agreed to snap up the Usha Martin said they fund use from slump sale But Monday, the promoters Basant and Prashant Jhawar, sought transparency on fund utilisation from the board of the company saying as of now there is no clarity on who'll get how much from the sale proceeds.

"Though we are encouraged by the Tatas signing an agreement with the current management of Usha Martin, the end use of the funds is opaque," Usha Martin founder Basant Jhawar and his son Prashant, who together own 25 per cent stake in the company, said in a statement Monday.

The deal is expected to be completed over the next two-three quarters. Usha Martin's steel business comprises the specialised one-million tonne alloy-based manufacturing capacity in long products segment in Jamshedpur, a producing iron-ore mine, a coal mine under development and captive power plants. Usha Martin is amongst the top five wire rope manufacturers in the world and a leading speciality steel producer in the country. In May, Bamnipal Steel, a wholly-owned subsidiary of Tata Steel, completed the acquisition of controlling stake of 72.65 per cent in Bhushan Steel, for a consideration of Rs 35,200 crore, though the insolvency auction process.

INDIAN MINERAL EXPLORATION POLICY AND REALITY DIVERGENCE

The Indian government's ostensible policy is to double mineral exploration every year with participation of domestic and foreign private players, but foreign participation in domestic non-coal mineral exploration is on a downtrend.

"We are preparing a document for increasing the participation of the private sector in mineral exploration and [will] even allocate money for certain sectors of private mineral exploration," Mines Ministry joint secretary Bipul Pathak, said in a recent statement.

"In my opinion mineral exploration should double every year as there is a limit to what the government can do," he said.

"To increase exploration the private sector has to come in and that is the only way. The government is trying every level of private participation, mineral majors and junior companies from all over the world to come to India," Pathak said.

The official was referring to the Mines Ministry working on a new mineral policy expected to be unveiled within the next two months with a focus on mineral exploration by the private sector.

However, despite the optimism over policy initiatives, the reality is that during 2017/18, foreign direct investment (FDI) in the Indian mining industry fell to its lowest level in recent years at a mere $36-million down from a peak of $659-million touched in 2014/15.

The previous FDI low in mining industry was in 2013/14 when it hit $13-million.

As a share of total FDI inflow into the country, the miningsector accounted for just 0.8% of the total FDI during 2017/18 against a share of 2.06% in 2014/15, and an indication of unattractiveness of the domestic miningindustry to overseas investors. This, even though 100% FDI is permitted by the government in all mineral exploration and mining except for atomic minerals and few other strategic minor minerals.

The proposed new mineral policy will aim to address issues like exploration companies not getting right of first refusal at the time of auctioning of a mineral block discovered by the exploration company, and a composite exploration and mining licence was expected to be put on offer under the new policy.

However, industry analysts said that measures like these were unlikely to address the key issues that kept global players away from investing in the country, such as taxation, which stood at 64% – the highest globally.

RAJASTHAN SITS ON 20,000 MT OF POTASH RESERVE BUT EXPLORATION CAUGHT IN RED TAPE: STUDY

Despite having the world's biggest reserves of potash in Rajasthan, India has failed to explore the huge deposit even 45 years after its discovery, costing US$1,400 million every year to import the mineral, according to the Central Institute of Mining and Fuel Research (CIMFR), Roorkee.

Rajasthan sits over nearly 20,397 million tonnes (MT) of probable potash deposits, mostly concentrated in Nagaur-Ganganagar basin of the north-west Rajasthan, almost three times the world reserve, according to Indian Minerals Year Book-2016.

According to a research paper published by CIMFR, potash exploration was carried out by the Geological Survey of India (GSI) from 1974 to 1991 in Nagaur, Churu, Bikaner, Hanumangarh and Ganganagar districts. GSI reported a 350-km-long and 200-km-wide potash-bearing deposit. This basin has been considered the southeastern extension of the salt range of Pakistan.

Based on this exploration, GSI identified deep-seated (about 600 to 740 metres from the surface) occurrences of potash mineralisation in Nagaur-Ganganagar basin, sufficient for next 4,000 years with the current annual requirement of 4.6 MT.

Experts believe that the available grades of potash deposits are based on the core recovery. GSI asdditional director general

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Brij Kumar said the policy for exploration is yet to be finalised. "GSI has just completed the drilling and the amount of deposits is also not calculated. The numbers available are from tentative calculation." He refused to share further details, saying "we are working on it."

Sources said the Mineral Exploration Corporation Limited (MECL), an autonomous public sector company under the union ministry of mines, is working on identifying blocks at a few sites.

Union and state government officials, sources said, hold meetings with the mining department, experts from the Bureau of Mines and agencies interested in exploration, and submit their recommendations but nothing tangible in terms of prospecting has happened.

Even Niti Aayog held a discussion, titled 'Prospecting of potash deposits in India -- MMDR Act-2015 provisions', on May 9 last year with officials of Rajasthan, ministry of mines, representatives from the Federation of Indian Mineral Industries (FIMI) and scientists from CIMFR, and expressed concern over the delay in intensive exploration.

According to the minutes of the meeting – HT has access to this – held under the chairmanship of Dr VK Saraswat, Niti Aayog member, he said casual approach is being adopted by the ministry of mines and department of mining and geology, Rajasthan, in the grant of prospecting licences.

"Failure and abnormal delay in bringing up the deposit for commercial exploration has resulted in importing the mineral costing Rs 10,000 crore per year," Saraswat said.

Sources said potash has not been covered under the schedules of the MMDR amendment act, 2015 which makes the case complicated as to who will grant the prospecting licence – the Centre or the state government.

Additional director, state department of mines and geology, RK Nalwaya informed the Niti Aayog and experts that without clear-cut instructions, the matter cannot be processed. "Due to lack of mineral contents for auctions of prospecting licence, it is mandated to establish at least a G2 level of exploration to indicate the mineral resources; Rajasthan government is not in position to undertake auction," Nalwaya said.

Rajasthan has, however, decided to mine potash in 878 hectares area in Hanumangarh district through a joint venture involving 51% stake of the State Mines and Minerals Limited, according to a notice inviting expression of interest (EoI).

For selecting a partner for the remaining 49% stake, presentations were made by the Steel Authority of India, Rio Tinto, Zuari Industries Ltd, Raj Mineral Ltd, and Kaushalaya Infrastructure Development Corp but no significant progress has been made.

Dr JK Mahnot, chief scientist with CIMFR, said the state government has not risen above mining building materials. "Mining policies made by every government dominates the mining auction politics. Thus valuable research outputs continue to lie in cold storage."

Aparna Arora, state principal secretary of the mines and petroleum department, asked for questions on email but refused to respond to the queries

KEY MINERS IN ODISHA LOOK TO RAMP UP IRON ORE PRODUCTION ON FIRM DEMAND

Key merchant miners in Odisha are looking at scaling up their iron ore mining capacities because of robust demand. Apart from the firm demand from end-use industries, buoyancy in prices is spurring miners to expand output.

KJS Ahluwalia, a major non-captive miner, has sought green clearance to raise capacity at its Nuagaon iron ore mines from 5.62 million tonnes per annum (mtpa) to 7.99 mtpa. The miner is also keen to install a beneficiation plant with two-mtpa capacity along with crusher and screen plants. The facilities are to come up within the miner's leasehold area.

Aditya Birla Group-owned Essel Mining & Industries Ltd, too, has proposed to enhance the capacity of its Koira iron ore mines from four to six mtpa. The public hearing for the proposed expansion is scheduled for October 30. Besides,

Thakurani Iron Ore Mines, under the leasehold of Kaypee Enterprises, has sought to expand its production capacity from 5.5 to 7.99 mtpa. "Demand continues to be strong in both the domestic and international markets. Miners are scaling up to meet the enhanced demand as outlook is firm", said a mining industry source.

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According to a recent report by CARE Ratings, iron ore production in the country is projected to strengthen by two-to-five per cent in this financial year on stable demand from infrastructure and automobile industries. Iron ore production in the last financial year was 210 million tonnes, a growth of nine per cent year-on-year.

IRON ORE PRODUCTION (in million tonnes)

Year	Pan-India	Odisha	Share of total
2013-14	152.2	78.0	51.25
2014-15	129.3	47.0	36.35
2015-16	158.1	81.0	51.23
2016-17	192.1	102.0	53.10
2017-18	210.5	105.0	49.88

Sources: Union mines ministry, Odisha government

Of late, iron ore prices have been on a rampage in the domestic market. NMDC Ltd, the largest producer, announced its second price hike for September recently. The central PSE raised the price of lumps by 8.4 per cent to Rs 3,850 per tonne, and those of fines by 6.43 per cent to Rs 3,310 a tonne. The company ascribed the price hike to lower production due to rains, robust demand for ore and firming up of steel and sponge iron prices. Iron ore fines prices have soared 80 per cent in Odisha between June and September despite international prices staying range bound.

Fines prices till the last round of hike soared from Rs 1,862 to Rs 3,350. Lumps prices, too, had moved up 29 per cent in the period under review, increasing from Rs 4,094 to Rs 5,300 per tonne. By contrast, prices of benchmark Fe-62 grade fines inched up moderately from $63.95 to $66.2 per tonne. Some end-user industries in Odisha feel merchant miners were pressuring iron ore prices by producing below the approved EC (environment clearance) limits. Odisha is the biggest iron ore producer- the state logged 102 million tonnes of output in 2017-18. The state has an approved iron ore mining capacity of 163.8 mtpa. Of this, the merchant or non-captive lessees have approvals to mine 118.35 mt. In FY18, 26 non-captive miners in the state despatched 67 mt, denoting 65.79 per cent of their approved EC (environment clearance) limit of 101.96 mt. Iron ore despatches have been well below the agreed EC limits as between FY14 and FY18, they never exceeded 70 per cent.

10 STATES OFFER 102 MINERAL BLOCKS FOR AUCTION IN FY19, JHARKHAND TOPS LIST

Ten mineral-laden states have queued up 102 blocks for electronic auctions in this financial year. With 20 blocks, Jharkhand has the largest number of deposits on offer. Rajasthan comes second with 16 blocks, while Madhya Pradesh and Maharashtra have readied 13 each.

Among the queued blocks, 42 are of limestone, followed by bauxite (19), manganese ore (11), copper (8), iron ore (6), graphite (6), zinc (3) and two each for emerald and gold.

Since the enactment of the amended Mines and Minerals (Development & Regulation), 2015, and framing of Mineral Auction Rules, 50 blocks have been successfully auctioned. Karnataka has auctioned 12 iron ore blocks, the most by any mineral-rich state. Six blocks have been auctioned apiece in Rajasthan, Jharkhand and Madhya Pradesh. The new MMDR Act killed the long-standing practice of discretionary allotments of mineral leases, switching to a transparent system of allocations through auctions.

Data by the Union mines ministry show total revenue to accrue to states from these auctioned blocks over the 50-year leasehold tenure is estimated at Rs 1.81 trillion. The revenue projection envisaged includes royalty and contributions by lessees towards District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET).

Auctions of mineral blocks have hit the slow lane. Rules mandate that only those blocks that have been explored up to the G2 level are eligible for online auctions. Given the sluggish pace and scale of mineral exploration in the country, numerous identified blocks do not make the grade for auctions. Steel and other end-use industries have been feverishly pitching for relaxing this norm, which has held up the pace of auctions. They feel the G2 level norm is a detriment to the smooth conduct of e-auctions by states. Instead, they have suggested that the rigidity of the G2 norm needs to be reviewed since there is a provision contained in Rule 8 of Minerals (Evidence of Mineral Contents) Rules, 2015. As a remedy, they have suggested that mineral blocks of adequate dimensions can be put up for auctions and the onus should rest on the lessee to ensure G1-level compliance within five years.

"A lot of technological advancement in geophysical, geochemical and aerial electromagnetic survey with deep penetration level has proved the existence of mineral resources below surface up to 70-80 per cent accuracy level. Even G2 level exploration does not provide reserve estimation so accurately," said a senior official with a steel company.

Most of the available mineral blocks in the country could not be upgraded to G2 or G3 level because of constraints in exploration. India figures among the least explored countries where mineral exploratory activity is limited to two central government agencies -- Geological Survey of India (GSI) and Mineral Exploration Corporation Ltd (MECL). Though the state directorates of mining and geology are also tasked with exploration work, most of them are wanting in expertise, manpower or both.

Mineral block auctions in the pipeline

Jharkhand: 20	Rajasthan: 16
Madhya Pradesh: 13	Maharashtra: 13
Chhattisgarh: 9	Gujarat: 8
Karnataka: 8	Assam: 4
Telangana: 3	

Total: 102.

JSW STEEL, KIRLOSKAR FERROUS WIN IRON ORE MINES IN KARNATAKA AUCTION

Five iron ore mines were auctioned in Karnataka over the past three days. JSW Steel and Kirloskar Ferrous were among the winners, as was Minera Steel & Power.

Names of the other two were not available. The auction started on Tuesday and continued till late evening on Thursday. The total capacity of these mines is 5.73 million tonnes per annum.

Industry sources say Mysore Minerals Ltd was bid for by JSW Steel for 95.2 per cent over the base price. Minera and Kirloskar bagged Nidhi Mining and Bharat Mines & Minerals, respectively.

The base price is based on estimated reserves.

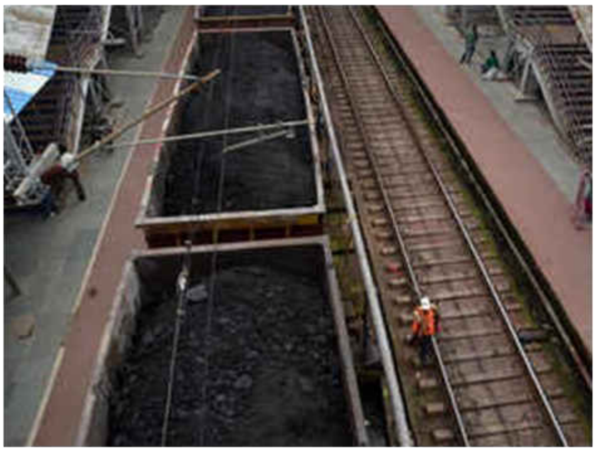
In April 2013, the Supreme Court had directed the state government to cancel 51 C-category leases, for involvement in illegal mining. And, to re-allot these to end-users through a transparent bidding mechanism.

The Centre recently decided to put eight more mines on e-auction in Karnataka. These five had qualified. Each mine is to get at least three applications to qualify for auctioning.

COAL INDIA, SINGARENI COLLIERIES COMPANY OFFER POWER FIRMS OPTION TO SWAP FUEL SOURCES

Coal India and Singareni Collieries Company are offering independent power producers the option of swapping their sources of fuel supply to cut the cost of transportation and generation.

The Central Electricity Authority will oversee the one-time offer for power generators willing to pass on the savings to customers. This would also require regulatory approval.



"The plan is to change source of coal for as many independent power producers as possible, keeping the quality of coal at almost same levels after the swap. It is expected to reduce distance over which coal is sent, reducing transport costs, cost of generation and finally electricity bills for consumers," said a senior Coal India executive.

The scheme is being offered to power companies that receive coal from state-owned suppliers by rail. At present, coal supplies are based on allocations made over the years to power plants and they are not necessarily the shortest distance between the mines and the generation units.

A similar scheme for state-owned power units helped save almost Rs 6,000 crore three years ago. The scheme is not being offered to plants that receive coal by road as they are already near pitheads.

If several plants compete for the same pithead, the one with the largest cost savings would be offered the swap. The saving would be assessed using a CEA formula that also accounts for change in energy content if the source is changed.

Coal currently travels 477 km from a mine to a plant, with some power stations located up to 1,000 km away.

The voluntary scheme would work on the basis of availability of mines and a consumer's willingness to accept the quality of coal from another source, the executive said. "An interministerial task force has been formed to resolve issues private companies may face while implementing it," the executive said.

Coal India, based in Kolkata, produces about 84% of the country's coal. Singareni Collieries operates in four districts of northern Telangana and supplies coal to most customers in the state and parts of south India and Maharashtra. The company produced 62.01 million tonnes of coal during 2017-18.

MINERAL MINING RIGHTS LIABLE TO GST: AAR

Mineral mining rights granted by the government will be liable to the goods

and services tax (GST) at the rate applicable on the supply of the extracted raw material,

the Haryana Authority for Advance Rulings has ruled.

The decision should ease the mining sector's tax burden and clear the ambiguity over whether such rights are liable to be taxed at the rate applicable to the supply of these minerals or at a higher residual rate of 18%.

The ruling was given on an application filed by Pioneer Partners, engaged in mining of boulders and extraction of minerals, which had

secured a mining licence from the Haryana government in lieu of

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which royalty was being paid.

The applicant sought to know whether such royalty payment on account of mining rights was liable to tax in the hands of the applicant under the reverse charge mechanism — where the recipient of goods/ services is required to pay tax instead of the supplier — and if so, the rate applicable — 5% valid on supply of minerals or the residual 18%.

The AAR held that such rights granted by the government would qualify as a service liable to tax at the rate applicable to the supply of the mineral being mined, which is 5% in the present case.

In light of the specific notification providing for reverse charge liability on services received from the government, it also held that the applicant must pay tax on such royalty or rent paid.

In many cases, GST paid became a cost for the businesses where the products were either outside the ambit of the tax — such as petroleum products — or were used for activities exempt from GST, such as power generation.

Companies that have paid tax on such rights at 18% may explore the possibility of claiming a refund of the excess amount if it has not been claimed as input credit. "This is one of the rare rulings in favour of industry and it would be interesting to see if the authorities would appeal against it or consider making changes in the rate schedule itself," said Siddharth Mehta, indirect tax partner at PwC India.

"Royalty paid to the government for various rights, amount paid for telecom spectrum, etc., are generally perceived as non-taxable payments by dealers. This ruling obviates doubts about their taxability and has rightly held that royalty paid for mining rights is eligible to tax," said Harpreet Singh, a partner at KPMG.

The Authority for Advance Rulings is a quasi-judicial body that assesses the potential tax liabilities for transactions beforehand.

HCL GETS GOVT NOD FOR MINING EXPANSION

State-owned Hindustan Copper Ltd (HCL) has received government approval to increase its mine expansion plans to 20 million tonne from the earlier planned level of 12.4 million tonne at an investment of Rs 5,500 crore in the next six years.

"Our mining capacity will be increased by around six times from its present production capacity in next six years. Total capital outlay of the above expansion projects is Rs 5,500 crore," HCL chairman Santosh Sharma told shareholders during its 51st annual general meeting.

To meet the company's funding needs for these projects, Cabinet Committee on Economic Affairs, has already given its approval to HCL for issuing some 13,87,82,700 fresh equity shares to the extent of 15% of paid up equity capital of face value of Rs 5 each through the Qualified Institutional Placement (QIP) route. HCL will use the proceeds of QIP to meet its capex plan, the official said.

He said about half of the work on the company's flagship project, Malanjkhand underground mine of annual capacity of 50 lakh tone has been completed. Plans have been firmed up to commence ore production from the underground mine in the coming fiscal year.

Similarly, tenders have been issued for construction and operation of Chapri- Sidheswar, a new mine at Ghatsila with an annual production capacity of 1.5 million tonne. HCL has also earmarked Rs 200 crore has to undertake in-depth exploration across the company's mining lease areas, he added.

While investment in upcoming infrastructure projects and increased government spend on housing, rural and railway electrification, is tipped to raise rate of growth of copper consumption to around 6-7% in 2018, the domestic copper industry is facing a major challenge due to a surge in imports of refined copper from the countries we have Free Trade Agreements. The imports have increased to around 2.5 lakh tonne in 2017-18 or roughly around a third of the domestic demand from 65,000 tonne in the 2010-11

While refined copper production during 2017-18 was at 8.43 lakh tonne as compared to 7.98 lakh tonne in FY 2016-17 the consumption of refined copper was around 6.6 lakh tonne in 2017-18 compared to 6.5 lakh tonne in 2016-17.

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COMMERCIAL COAL MINING IN INDIA POTENTIALLY HEADING FOR BACKBURNER

Signs are emerging that commercial coal mining in India, sans any end-use restrictions and permitting free merchant sale, will be put on the backburner, if not die a slow death altogether.

Although no official acknowledgement of the same is forthcoming from any of the departments involved in opening up of the coal mining sector to private miners, the fact is that government has not initiated any moves to even start the process of auctioning coal blocks to private miners, despite the rules having been changed six months ago.

Industry sources said that government internal memos have been in circulation that operational subsidiaries of Coal India Limited (CIL), which accounted for more than 80% of domestic coal supplies, were not happy at the imminent advent of private coal miners as competitors and have communicated that competition risked impacting on production levels of these CIL subsidiaries and, in fact, on the long-term financial health of these government mining companies.

At the same time, all trade unions representing the workforce engaged in the domestic coal mining industry have opposed entry of private coal mining, which they fear will result in the privatisation of the coal sector over the long term

An indication of government's backtracking on opening up of the coal sector is that the Coal Ministry has rejected a proposal from a high-power government committee that suggested that all coal mines, except for those earmarked for specific sectors like steel, cement and power, be put up for auction with private miners eligible to bid.

A section in the government said that entry of private miners to the coal sector entailed political risk, as privatisation as part of overall economic reforms still did not enjoy unanimity across the political spectrum.

They said that with Indian national elections slated next year, no government could risk the political fallout from holding coal block auctions for private investors and the risk of any direct industrial action from trade unions in CIL, which would not only worsen the existing coal shortage in the country, but also alienate a significant number of voters in the coal industry.

Besides the political risk, a poor response from investors if auctions were to be held now would give the wrong signals about government's economic management, in electioneering season, the sources added.

It was pointed out that response during the first, second and third tranche of coal block auctioning for captive mining by end-user industries had evoked a lukewarm response and following two rounds of auction were cancelled by the government owing to a lack of response from investors.

Hence, putting commercial coal mining on the backburner, and ultimately burying it quietly, were options before the government for both political and economic reasons, the sources said.

ADANI GROUP FORMS NEW SUBSIDIARY BAILADILA IRON ORE MINING

Adani group incorporates a wholly owned subsidiary "Bailadila Iron Ore Mining Private Ltd" as a special purpose vehicle for Adani Enterprises Limited (AEL).

"The company has incorporated a wholly owned subsidiary namely, "Bailadila Iron Ore Mining Private Limited" ("BIOMPL") on September 20, 2018," the company said. AEL is a successful bidder for mine developer-cum-operator (MOO) for Bailadila Iron Ore Deposit, Dantewada District, Chhattisgarh, by NMDC-CMDC.

"As per tender, Iron Ore Mining Services Agreement (IMSA) has to be signed within 60 days from issuance of LOA and AEL may form 100 per cent owned SPV to act as the MOO and sign the IMSA with NCL and such SPV shall be formed within 30 days from the date of issue of the LOA by NCL," the company said.

INDIA, RUSSIA DISCUSS WAYS TO DEEPEN COOPERATION IN MINING, AGRICULTURE

India and Russia discussed ways to increase economic cooperation in areas such as mining and geological exploration in gold and diamond, and agriculture, the commerce ministry said Tuesday.

The issues were discussed during the meeting between Russian Deputy Prime Minister Yury Trutnev and Commerce Minister Suresh Prabhu.

Prabhu is in Vladivostok, Russia, to attend the Far Eastern Economic Forum being held from September 11-13.

The commerce minister invited regional governors of the Far East to visit India with business delegations in order to explore areas of cooperation.

India was the first country to establish a resident consulate in Vladivostok in 1992.

However, India's existing engagement with the region is limited to isolated pockets, it said.

"In order to bolster the trade ties it is imperative that connectivity between India and Vladivostok have to be simplified, affordable and time efficient," it said.

It added that ease of connectivity will not only provide access to the resource rich, unexplored Far East but will also strengthen India's geo-political stature.

LOGISTICS COST & INFRA BOTTLENECKS BLUNT INDIAN MINING INDUSTRY'S EDGE

Steep logistics cost and infrastructure bottlenecks are weaning away the competitiveness of Indian mining.

India's logistics cost as a percentage of its GDP is 14 per cent, against 10 per cent in America and Japan, and 11 per cent for the European Union. The cost of moving steel in India is 2.3 times that of China.

Another reason is infrastructure constraints. Railway freight traffic has more than doubled over two decades while the total route length has grown by only five per cent. Mineral-laden areas continue to grapple with a cramped rail network.

On the roads, congestion is equally pronounced for mineral movement. National Highways constitute only two per cent of the network but handle 40 per cent of road traffic.

Ports, another key component of transport infrastructure, are marked by slow evacuation of cargo, escalating transportation cost. There are cases when the turnaround time is double the time at the ports in Colombo or Singapore.

A mining industry source suggests iron ore areas get separate road networks, as in Australia or South Africa.

"State governments can become nodal agencies to create common facilities for closed-belt conveyors from a cluster of mines to public sidings," he said. "Also, one could envisage a common government investment programme for a slurry pipeline grid, for the benefit of multiple players, not a single beneficiary."

A big tax burden is also blunting the mining sector's competitive edge. The royalty charged on iron ore is 15 per cent, the highest in the world. Australia has 6.5-7.5 per cent while Brazil has two

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per cent. It is 0.5-7 per cent in South Africa and 0.5-4 per cent in China.

In addition, Indian mining entities also must contribute to their District Mineral Foundation and National Mineral Exploration Trust. With royalty, this adds to 19.8 per cent of the sale price.

"The royalty regime in India does not promote beneficiation of low-grade ore, a costly proposition," the source said.

- Logistics cost as a percentage of its GDP is 14%, against 10% in the US and Japan and 11 % for the EU
- Cost of moving steel in India is 2.3 times that of China's
- Turnaround time at Indian ports is at times double that of Colombo or Singapore
- Cramped rail, road network jacking up mineral transport costs
- At 15%, iron ore royalty is the steepest in the world

INDIA MUST TAKE CRITICAL MINERALS AS PART OF ITS STRATEGIC GROWTH AGENDA: EY

The growing use of electric vehicles and renewable energy in addition to increasing share of televisions, mobile phones in our consumption basket coupled with the government's Make in India initiative with ambitious growth plans in 25 sectors, is tipped to enhance the need for critical minerals that these gadgets use. In a just-released report EY has said India must assess its needs against the supply of these critical minerals and take it up as a part of its strategic growth agenda. Like many other countries, India needs a holistic and collaborative approach from policy makers, mining companies and user industry groups to achieve resource security.

The plan targets to add 227GW of renewable power by 2022 with electric vehicles (EVs) expected to account for 30% of all new vehicles by 2030. While introduction of EVs and telematics is changing the landscape of the automobile sector, growth in renewables and technology for battery storage is transforming the power and utilities sector. While EVs are dependent on rechargeable batteries, solar energy is dependent on solar panels and solar cells, flat panel displays and LEDS are important components of the electronics and telecommunications industry. All of these components require minerals with very specific properties and characteristics. Such critical minerals or as EY refers to them, "new world" commodities are central to the production of a variety of high tech and green technologies ranging from batteries, smartphones and laptops to advanced defence systems. However, lack of secured supply chain would substantially restrict the growth of the 'new world' industries, the report says.

Due to the very nature of the critical/strategic minerals and their relative smaller volumes, their market prices see large distortions triggered by demand-supply mismatch even for a small volume. This impairs a miner's capacity to develop a sustainable project plan for these minerals which strains their supply sources.

The EY report touches upon sectors such as automobiles (electric vehicles), aerospace and defence, electronics and renewable energy which are a part of the Make in India policy and will also need most of the critical or rare minerals in some form. "Most of these industries are still in nascent stages in India and thus their current consumption of these minerals is low. Additionally, for few of the industries, current focus appears to be sourcing and assembling components instead of indigenous production. It is expected the strategy will move towards more indigenous production and as that happens, the need for these critical minerals will increase exponentially," the report says.

Anjani K Agrawal, Partner and Leader – Metals & Mining, EY: "A number of initiatives like EV, renewables energy, Make in India, defence & aerospace etc. need several minerals. Many of those minerals are not yet discovered/available or produced in India. Securing their supply will be critical for success of those programs." However, known sources of minerals are finite and there is significant concentration of reserves in a few countries. Several such countries in conflict zones. Risks are further compounded due to the governments of resource rich countries adopting a conservation approach for their own future needs.

To help identify the strategically critical minerals in the Indian context, EY analysed the global concentration of reserves and production and developed a supply confidence score for such sources viz a viz India's import dependence for those minerals. "Resources of many critical minerals relevant to modern industrialisation and sustainability goals are concentrated in few countries. The risk is aggravated further either due to their own development needs or the geopolitical risks in many resource rich countries. It would be an imperative for India's progress to take this as a strategic agenda. For items where we have resource scarcity, strategic M&A, off-take arrangements may be the path to secure success," according to Agrawal

VEDANTA TO INVEST $4B IN INDIA BLOCK TO BOOST OUTPUT

India's Vedanta Ltd is investing $4.1 billion to boost oil output from its flagship Barmer block in the desert state of Rajasthan to over 400,000 barrels per day (bpd) in 2021, its chairman Anil Agarwal said.

Agarwal said oil output from the block would rise next year to more than 300,000 bpd from about 250,000 bpd currently.

"In 2-3 years it will be 450,000 bpd. We are investing almost 300 billion rupees to reach there," Agarwal told reporters.

India, the world's third biggest oil importer, ships in 80 percent of its oil needs from overseas as its local output has stagnated for years. The country produces an average of 720,000 bpd oil.

The conglomerate on Monday bagged 41 of the 55 blocks offered by India under the new eased rules that offer the freedom to bidders to carve out areas for drilling.

For the new blocks, the company plans to invest 30-40 billion rupees in the exploration phase, Agarwal said.

Vedanta, the Indian unit of diversified mining group Vedanta Resources Plc, wants to scale up its operations to be able to contribute at least 1 percent to the nation's planned $5 trillion economy by 2025, he said.

In contrast to Vedanta's aggressive bidding for the latest auction, key foreign players continue to shy away from participating.

"I am looking for more and more competition to come. I want at least 10 more players to come … This market will be better than foreign markets," he said.

India's strong economic growth and the demographic advantage of having a pool of young people will remain key drivers in its energy demand growth.

India's crude oil demand is forecast to grow to 500 million tonnes per year by 2040, according to the country's top refiner Indian Oil Corp.

Agarwal, however, said India need to ease policies further to attract foreign majors to exploration.

India bars exports of crude which means producers are limited to who they can sell their oil, often at a discount.

"Foreign players will not come until and unless they get international prices … Today also they (the government) set the price, and which is so discouraging for the international players to come," he said.

Vedanta is currently selling its oil to local refiners at 10-12 percent discount to global benchmark Brent, he said, adding the company's current cost of production is $7/barrel.

CIL AIMS ASPIRATIONAL PRODUCTION OF 652 MILLION TONNE FOR FY19

Coal India Ltd is optimistic about an aspirational production target of 652 million tonne for the fiscal year 2018-19, the mining major's Chairman A K Jha said on Wednesday.

The state-run company is also planning to rationalise costs by closing down 53 underground mines this fiscal, Jha said the sidelines of the company's 44th AGM here.

Supply to the power sector is estimated at 525 million tonne for the fiscal, as against 454 million tonne in 2017-18, Marketing Director S N Prasad said.

COAL INDIA COULD CLOSE 53 UNDERGROUND MINES THIS FISCAL

Coal India, which is looking to rationalise its underground mines in view of safety and financial viability, could close about 53 such mines this year, its Chairman Anil Kumar Jha said on Wednesday.

"About 43 underground mines were closed last year on grounds of safety and viability. We have inherited many underground mines at the time of nationalisation. That time there were more than 700 mines. Now with each passing day we are trying to rationalize mines which are small and not financially viable. For some of the mines we are trying to amalgamate and turn some of them into opencast," he said.

"We have given a project to Indian School of Mines to give us a solution about how the underground mines can be managed by closing or by amalgamating or converting into opencast. This exercise is going on," said Jha, adding that a report is expected in six months.

Coal India Ltd (CIL) has undertaken rail infrastructure projects for planned growth in production and sales and as many as 13 projects for coal evacuation have been identified, he said.

He said two coking coal washeries were commissioned and plans are on the anvil to set up a non-coking coal washery in Odisha's Ib -Valley for which a letter of intention was issued.

"Coal India is tasked with meeting challenging targets in the years ahead. Going forward in order to meet the production targets, it needs to step up its growth rate.

"In order to achieve the planned growth in production and

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extraction in future, the company has undertaken major rail infrastructure projects," Jha said.

Out of the identified projects, three would be funded by coal companies, four by special purpose vehicles and six by railways, the miner said.

The miner is pursuing an aspirational production target of 652 million tonnes in the current fiscal while it had produced 567.36 million tonnes in 2017-18.

At the 44th Annual General Meeting, Jha informed shareholders that annual grade declaration of the current fiscal was finalised by the Coal Controller Office.

"A total of 386 mines were reassessed and out of these, 61 mines were downgraded and 42 mines were upgraded," he said in his speech.

Jha also said, "A total of 11 coal blocks have been allotted to Eastern Coalfields, Bharat Coking Coal and Western Coalfields and these new blocks will help these subsidiaries produce more than 100 million tonnes of coal per annum in the near future.

"He said four coal mining projects with an ultimate capacity of 24.6 million tonnes per annum and a total capital investment of Rs 4,155.46 crore were approved.

In order to monitor coal quality, Jha said, a portal UTTAM (unlocking transparency by third party assessment of mined coal) was launched by the miner to capture the entire life cycle of sample.

According to him, coal reserve stood at 319 billion tonnes upto a depth of 1,200 metres as on April 1, as per the estimated geological resource of India.

CIL is planning to set up a coal-based methanol plant at Dankuni Coal Complex (DCC) of South Eastern Coalfields Limited.

"The methanol to be produced at DCC will likely to find a definitive market in the eastern states of India, once the policy of the government for blending of methanol with petrol comes into practice," he said.

ORISSA HIGH COURT STAYS MINING OF THREE AUCTIONED MINES TO NCLT COMPANIES

The Orissa High Court on Monday stayed mining of three deposits, won by Essar Steel Ltd, Bhushan Steel Ltd (BSL) and Bhushan Power and Steel Limited (BPSL).

The interim order came during the hearing of a public interest litigation that questions the state's decision two years ago to allow the three companies to participate in auctions of iron ore deposits, even as they had defaulted on loans and were then possibly headed towards bankruptcy.

The writ, filed by activist Chitta Ranjan Sahoo, seeks cancellation of the auctions and their outcomes, or the letters of intent granted to Essel Steel, BSL (now acquired by Tata Steel) and BPSL (for which JSW Steel recently emerged as the highest bidder). He questioned "the due diligence and conduct" of Naveen Patnaik's government and the decision of the Odisha steel and mines department in granting mineral blocks to companies that went bankrupt within months of winning those.

The deposits, auctioned after mining laws were amended in 2015, are not yet operational. All three companies have plants in the state and are chasing clearances that will enable them to get a mining grant.

"The matter was still pending in court and we will be submitting our counter very soon," said a senior government official, declining to comment further.

The state is expected to point out to the court that the deposits were auctioned as per the Mineral Auction Rules 2015 laid out by the Centre. "If these companies qualify, under the criteria laid out by the rules, submitting audited balance sheets and tax returns and emerge as the highest bidder, how is the state to predict their future insolvency," asked an official of the steel and mines department, speaking on condition of anonymity.

The Indian Bankruptcy Code 2016 recognises the companies as continuing concerns, even while their promoters are changing, and the state would take a call when conditions of the letters of intent were met, he added.

Essar Steel won the Ghoraburhani Sagasahi block in March 2016 committing to pay 44.35 per cent of the value of ore to the state. At this point of time, the steelmaker's debt totalled Rs 45,000 crore, while its wholly owned subsidiary Essar Steel Offshore had failed to repay Standard Chartered Bank's $413 million (as principal amount) and State Bank of India's Rs 14,860.82 crore loans, the PIL alleges. The banks moved the National Company Law Tribunal in Ahmadabad, which declared Essar Steel a defaulter in July of 2017, while holding that "there appears no scope for Essar Steel to be repaying its debt for another 25 years", the petition says.

"It is difficult to believe how the state government, its agencies

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and instrumentalities could have lost sight of such developments with regard to insolvency proceeding initiated against the respondent (Essar Steel)," says the petition. Counsels for petitioner were senior advocate Yasobant Das, Ashok Das and Matrugupta Mishra.

Bhushan Steel won the Kalamanga West deposit in May 2017 with a very aggressive quote of 100.05 per cent of the value of the ore.

BPSL quoted 87.15 per cent for the Netrabandha Pahar deposit.

A month after both companies received their LoIs from the state, the NCLB in New Delhi initiated corporate insolvency resolution processes against them. The PIL alleges that BPSL had defaulted on repaying Punjab National Bank in February of 2016.

Tata Steel, through its subsidiary Bamnipal Steel, recently acquired a 72.65 per cent stake in BSL with the financial creditors taking a 37 per cent haircut. JSW is likely to take over BPSL.

"How come the valuable resources are allotted to bidders whose financial stability is not only questioned but insolvency proceedings are initiated and the assets of such bidders are auctioned for sale," says the PIL.

MINING LEASE: CONGRESS SEEKS FIR AGAINST MANOHAR PARRIKAR, EX-CM LAXMIKANT PARSEKAR

The Congress party on Wednesday demanded that the Directorate of Vigilance should register an FIR against chief minister Manohar Parrikar and ex-CM Laxmikant Parsekar for "undue haste" in granting the second renewal of mining leases in the state.

The Congress party met acting chief secretary W. V. R Murthy and submitted a memorandum which also demanded an FIR against the secretary of the department of mines and geology Pawan Kumar Sain, then director of mines Prasanna Acharya and the Secretary to chief minister Krishna Murthy.

"The state government acted in undue haste in granting en-masse second renewals to mining leases to circumvent the proposed amendment to the Mines and Minerals (Development and Regulations) Act, said Goa Pradesh Congress President Girish Chodankar. "The government only wanted to defeat the introduction of the auction process."

Along with Chodankar, the Congress delegation comprised opposition leader Chandrakant Kavlekar, MLAs Nilkant Haldankar, Dayanand Sopte and Aleixo Reginald Lourenco.

Kavlekar said that Parsekar and Parrikar had manipulated the renewal of the leases "which is mostly illegal, dishonest and in utter breach of trust" which warranted a criminal investigation.

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